

Title: Insight – Long-Term Care

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Bob Burton:

Welcome once again to “Insight”, a program designed to keep you up-to-date on CalPERS issues. CalPERS has taken important steps to modify and revitalize its Long-Term Care program. Three new alternative benefit plans have been approved for Long-Term Care policyholders, changes which may lead to lower premiums. Ann Boynton, CalPERS Deputy Executive Officer for Benefit Programs Policy and Planning, is here to explain the plan changes and why they were necessary. Welcome to “Insight.”

Ann Boynton:

Thank you.

Bob Burton:

It’s good to have you with us. Right off the top, how do these new policy changes affect policyholders?

Ann Boynton:

The changes that the Board approved in October are focused around those policyholders who hold a Lifetime Coverage Plan. Generally, those were issued from about 1995 to the mid- 2000s. Those individuals could have lifetime coverage with a set daily benefit amount or they could have lifetime coverage with inflation protection so that the daily benefit amount increases every year. Those policyholders are the place that the Board is focusing as it looks at these new benefit designs that are designed, really, to offer more affordable options to our members and policyholders, but still ensure that they have adequate coverage when they need it as they age.

Bob Burton:

So, how do they actually roll out? How are the changes implemented?

Ann Boynton:

Beginning early next year, our lifetime policy holders with inflation protection who are currently subject to a 5% rate increase will begin receiving educational material to talk about these new benefit options and what the rollout will be for them. They'll need to make a selection. We'll ask them about May and June of next year what their selection will be, whether they would like to take advantage of a new 10 year program

Bob Burton:

Why were the changes actually needed?

Ann Boynton:

As you know, we've been struggling with our Long-Term Care program since about, well, 2003 was the first rate increase and then in 2008 the Board really began again wrestling with it. It just has not been sustainable into the future, and we need to find a way to ensure that the policyholders who are, today, paying for those benefits will have the benefits available to them in the future. As a result of that and looking at how the portfolio, itself, is structured, the Board had realigned the portfolio to a more conservative asset allocation. And that means that the yield will be less on the investment returns. That, in combination with the Program not really having been sustainable from the beginning, has resulted in the Board making a determination last month in October that they needed to levy a very large rate increase on those policyholders who are holding a lifetime policy either with or without inflation protection.

Bob Burton:

So, it was actually increased claims, reduced revenue that lead the Board to increase 85%?

Ann Boynton:

Yes. It works out to an 85% increase over two years starting in 2015 so part of it in 2015 and part of it in 2016.

Bob Burton:

Well, you've implemented some other options to, kind of, ease the impact of all this on policyholders. Tell us about those.

Ann Boynton:

Yes, we're very excited about these new options that we're bringing forward. The centerpiece, if you will, of the new offerings is a brand new 10 year offering that policyholders with a lifetime benefit will be able to convert to a 10 year program. Most of our policyholders, as you probably know, don't go into benefit for much past about 3 and a half years, so a lifetime benefit is more than enough coverage for them and a 10 year benefit, we believe, will be more than adequate for them. Less than 1% of our claims goes into past year nine. So this 10 year benefit, we think, is a great alternative. It will result in lower premiums for them. It will allow them the sooner they convert to not be subject to the 5% increase that's coming in June of next year.

Bob Burton:

People are going to continue to have questions about changes in the Long-Term Care program. What's their source of the most fresh information?

Ann Boynton:

We would encourage everyone to, of course, go to our website, go to the Frequently Asked Questions and the Long-Term Care program. We update that as new information becomes available and as new aspects are ready for definition.

Bob Burton:

Ann, thanks for being here today.

Ann Boynton:

Thank you for having me.

Bob Burton:

We really appreciate you bringing us up-to-date on all the important remodeling of CalPERS Long-Term Care program. Our guest today was Ann Boynton, CalPERS Deputy Executive Officer for Benefit Programs Policy and Planning. Please keep an eye on CalPERS Responds website for our next edition of “Insight.” And don’t forget to ‘Like’ us on Facebook and follow us on Twitter.